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m/019/005

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June 7, 2002

D. Wayne Hedberg, Permit Supervisor
Minerals Regulatory Program
State of Utah, Department of Natural Resources
Division of Oil, Gas and Mining
P.O. Box 145801
Salt Lake City, UT 84114-5801

Re: Moab Salt, LLC - Cane Creek Mine
M/019/005, Grand County, Utah

Dear Mr. Hedberg:

Hugh Harvey, Rick York, Rick Klein and I very much appreciated the opportunity to meet with you and your staff on May 28, 2002, to discuss the permitting and bonding status of the Cane Creek Mine in Grand County. We believe that the meeting was productive, and we look forward to working with the Division of Oil, Gas and Mining ("Division") to establish a reasonable bond amount that will be satisfactory to both Moab Salt, LLC ("Moab Salt") and the Division.

As you are aware, Moab Salt uses a solution mining process at the Cane Creek Mine to produce potash and salt. Recently, Moab Salt started using horizontal drilling technology to extend and increase potash production from the Mine. The implementation of this technology has been very successful. Using horizontal drilling and solution mining technology, Moab Salt projects that there are sufficient reserves at the Mine to continue operations for at least another fifty years.

The Notice of Intention and Reclamation Plan for the Cane Creek Mine were approved by the Division in 1997. The approved Reclamation Plan indicates that post-mining land uses "will center on rangeland, wildlife, oil and mineral exploration, river running, sightseeing hunting and recreational use."

As we explained at our meeting, Moab Salt believes that the best post-mining use for the land is use for recreational purposes. Moab Salt owns the surface of almost all of the land on which mining activities are being conducted. The Mine is located near Moab in Grand County. This area is known for its spectacular scenery and abundant recreational opportunities and activities. Moab Salt foresees the Cane Creek Mine land becoming a destination recreation/resort area upon completion of mining activities, similar to the Sorrel River Ranch or the Clondrock development.

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DIVISION OF
OIL, GAS AND MINING

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The paved road to the property is scenic and well maintained, and the existing railroad spur could support a tourist railroad. Electrical and natural gas service exists at the site, and many of the buildings could readily be converted to serve recreational uses. Development of this site as a recreation area would be consistent with, and would complement, other resorts in the Moab area.

Since many of the improvements on the property could be converted to support post-mining recreational uses, they would not have to be removed during the reclamation process. This in turn should reduce the amount of the reclamation bond required by the Division. However, you indicated at the May 28 meeting that Moab Salt would need to prepare a detailed plan for post-mining recreational use of the property, showing how the facilities would be utilized and funded, before the Division would consider adjustments to the bond. You also indicated that Moab Salt would need to amend or revise its Notice of Intention for the Cane Creek Mine if it wanted to pursue a reclamation bond reduction based on recreational post-mining use of property.

In order to satisfy the Division's concerns and requests, Moab Salt intends to investigate and identify specific post-mining recreational uses of the Cane Creek Mine property. If the results of its investigation so merit, Moab Salt will then prepare plans for the possible recreational uses, detailing how specific buildings, roads, and other improvements will be utilized for recreational activities in the area of the Mine, and methods of funding the recreational facilities. Those plans would then be submitted to the Division for review and comment, along with a Notice of Intention to Revise Large Mining Operations. We understand that the Division would then provide comments on the Notice of Intention to Revise and we would have an opportunity to respond to those comments. This comment and response process would continue until the Division is able to reach a tentative decision regarding the Notice of Intention to Revise. The tentative decision would then be published in accordance with the Division's rules and regulations and public comments would be solicited. We anticipate that this process will proceed on a time line that would allow publication of a tentative decision approximately eighteen months from now.

At the May 28 meeting, we also discussed how reclamation costs are calculated for bonding purposes. The Division uses published tables and data to determine reclamation costs for bonding purposes. However, it appears that much of this data may be better suited to determining construction costs, rather than reclamation costs. Moab Salt intends to solicit a firm bid from a substantial, recognized reclamation company in order to determine actual costs to demolish or otherwise reclaim the facilities at the Cane Creek Mine. Moab Salt reserves the right to present this bid and other supporting information to the Division for review and use in setting an appropriate bond amount for the Cane Creek Mine operations.

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Again, thank you for the opportunity to meet with you and your staff to discuss these issues. We look forward to working with the Division to establish an appropriate reclamation plan and bond amount for the operations at the Cane Creek Mine. Please do not hesitate to contact me if you have any questions or comments.

Very truly yours,

WILLIAMS, TURNER & HOLMES, P.C.

Mark A. Hermundstad

xc: Rich York
Rick Klein

Maab Salt

m/19/005

**HARVEY OPERATING AND
PRODUCTION CO. and
INTREPID MINING, LLC**

ARE PLEASED TO ANNOUNCE THE LOCATION OF
THEIR NEW OFFICE
EFFECTIVE SEPTEMBER 14, 2001

700 17th STREET, SUITE 1700
DENVER, CO 80202
303-296-3006

*rec'd
8/30/01*

HUGH E. HARVEY, JR. • ROBERT P. JORNAYVAZ, III